

# Corrigan Moving Systems

Relocation Solutions Since 1929

UNITED  
Van Lines

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June 23, 2010

The Honorable Robert Jones  
House of Representatives  
State Capitol  
P.O. Box 30014  
Lansing, MI 48909

Dear Chairman Jones:

I am submitting this testimony today in favor of the passage of SB 1222.

Corrigan Moving Systems has been conducting business in the State of Michigan since 1929, has nine locations within the State of Michigan, and is headquartered in Farmington Hills. Corrigan Moving Systems employs over 500 individuals in addition to our fleet of independent owner operators.

Under the current Michigan Business Tax (MBT) provisions, the moving industry cannot deduct payments made to subcontractors in the computation of the Modified Gross Receipts Tax section, creating an unfair tax burden on our company and the entire moving industry. This bill, if passed, will make the MBT equitable across key industry sectors and effectively stop the double and triple taxation that has occurred in the moving industry since the enactment of the MBT in 2008.

Since the enactment of the MBT to replace the Michigan Single Business Tax, our company has seen an disproportionate *increase* in our annual state tax liability during a period of *decreasing* gross receipts and *decreasing* gross profits. This tax liability increase is primarily due to the disallowance of payments made to subcontractors from the Modified Gross Receipts Tax portion of the MBT.

The MBT has provisions that allow some key business sectors operating in the State of Michigan certain deductions that minimize the gross receipts tax base, placing more emphasis on these sector's gross profits. For example, the manufacturing industry is allowed certain tax deductions for its inventory purchases. The construction industry is allowed certain tax deductions for its subcontractor payments. However, under the current MBT provisions, the moving industry is not afforded the same tax treatment and cannot take tax deductions on the large, necessary business expense of subcontractor payments.

The moving industry is a very seasonal, capital and labor intensive business with 40 - 50 percent of its annual volume occurring between the months of June and September. Without the use of the highly skilled, professional subcontractors to satisfy this peak season volume, moving companies would be unable to recruit enough experienced employees or purchase enough capital equipment to meet this seasonal demand, and ultimately could be forced to cease all business operations. The use of subcontractors is a business necessity to fulfill a crucial role in our industry.

**The moving industry should not incur a higher, unfair Michigan tax burden for using subcontractors.**

With the economic challenges many businesses have endured, Michigan businesses cannot afford to pay any business tax that does not accurately reflect the results of its operations. The disallowance of the deduction for payments made to subcontractors in the moving industry unfairly increases the tax base in a manner that is not representative of its actual operations.

We encourage the House Commerce Committee to pass SB 1222, paving the way to leveling the business tax burden for the moving industry, correcting the double and triple taxation and improving the overall business tax climate in the State of Michigan.

Sincerely,



Marc J. Elliot, CPA  
Chief Financial Officer  
Corrigan Moving Systems